



# *The Virginia State Banker*

Regulatory news for Virginia State-chartered Banks

*E.J. Face, Jr., Commissioner*

*Bureau of Financial Institutions - State Corporation Commission*



*Commissioner Face*

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## **CSBS SCHOLARSHIP AWARDED TO BANK AND THRIFT PRINCIPAL ANALYST**

On January 3, 2006, Commissioner Face received word from the Chairman of the Board of Trustees of the Education Foundation of State Bank Supervisors that Bank and Thrift Principal Analyst Daniel Hearn was awarded one of three scholarships given annually to worthy state bank examiners. What an outstanding way to start the new year!

In order to qualify, an examiner must be nominated by his/her commissioner and must meet the following qualifications:

### Experience

- Three years of experience in bank or trust supervision as an examiner in charge or
- Three years of experience as a bank or trust examiner plus two years of experience in a bank or trust company.

### Education

- A degree from an accredited college (or its equivalent in bank supervision experience as determined by the nominating State Bank Supervisor) and
- Successful completion of the CSBS Senior School.

### Promotion Potential

- Demonstrated fully to the State Bank Supervisor that he/she has the potential to assume senior level responsibilities and
- Shown personal initiative to achieve greater responsibilities.

The candidate then completes extensive information about his/her career and also submits an essay discussing three major trends or changes that have occurred, or will occur, in the financial services industry. The candidate then selects one topic and writes a page on the likely impact on state financial regulation and the individual's career, and how the individual can capitalize on it. The candidate must interview and quote three people: his/her commissioner or senior deputy, a banker, and a "free choice."

Through prior classes, Dan has already qualified for a bye on the first year at the Graduate School of Banking at the University of Colorado. Congratulations, Dan, and keep up the good work!

*The Virginia State Banker* is published by the Virginia Bureau of Financial Institutions to provide useful information to the banks and savings institutions that it regulates, and any of their related interests. Reader comments and suggestions are welcome and should be addressed to Ginger Sandler, Bureau of Financial Institutions, P.O. Box 640, Richmond, Virginia 23218-0640, or via e-mail [ginger.sandler@scc.virginia.gov](mailto:ginger.sandler@scc.virginia.gov).

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## VIRGINIA BANK DIRECTORS' COLLEGE EMERGING ISSUES SESSION

Please join us for an *Emerging Issues* session of the Virginia Bank Directors' College on Wednesday, April 19, and Thursday, April 20, 2006 at The Inn at Virginia Tech in Blacksburg, Virginia. Agenda topics will include Virginia economic and banking updates, borrowing from the Federal Home Loan Bank System: the public policy issues, legislative updates, bank board leadership, and financial analysis.

Developed by the Bureau and Federal regulators, the Virginia Bank Directors' College provides bank directors an opportunity to become more effective, capable, and knowledgeable members of a bank's board of directors.

The Virginia Association of Community Banks will handle College registration. The program brochure will be mailed to banks in early February.

## RIISING TO THE OCCASION

In the January 20, 2006 issue of American Banker, Deputy Commissioner John Crockett read a letter in the Viewpoints section from a community banker in Louisiana expressing his gratitude to many who had helped his bank through the aftermath of Hurricanes Katrina and Rita.

He discussed the assistance given to the bank's employees, who had suffered significantly, by the Community Bankers of Louisiana (CBL) and America's Community Bankers. The following paragraph caught the attention of Deputy Commissioner Crockett:

"Of special note: A large part of the CBL's grant funds came from the Virginia Community Bankers Association."

Hats off to you collectively for this fine humanitarian act.

## TWO NEW BANKS APPROVED

On February 9, 2006, the SCC approved the application of Security One Bank to commence business at 5860 Columbia Pike, Suite 104, Baileys Crossroads, Fairfax County, Virginia with \$15 million in capital. The President/Chief Executive Officer is Carl E. Dodson; the Executive Vice President/Chief Development Officer is Jorge E. Figueredo; the Chief Financial Officer is Daniel E. Burnett; and the Chairman of the Board is William Soza. The Bank has received approval from the Federal Deposit Insurance Corporation (FDIC) and plans to open in late April 2006.

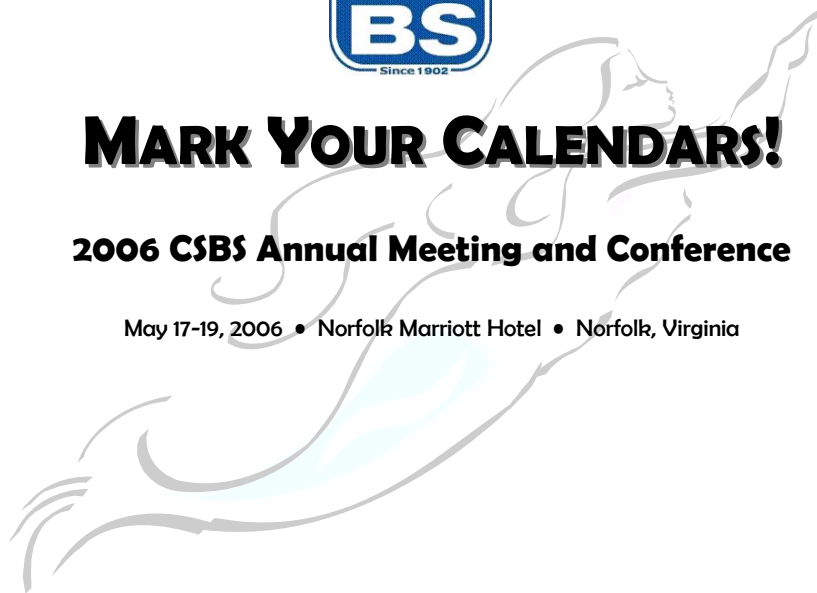
On February 10, 2006, the SCC approved the application of Virginia Business Bank to commence business at 9020 Stony Point Parkway, Suite 225, City of Richmond, Virginia with \$16.7 million in capital. The President/Chief Executive Officer is Merlin A. Henkel; the Executive Vice President/Chief Operating Officer is Thomas L. Hotchkiss; the Chief Financial Officer is Barbara T. Kallus; and the Chairman of the Board is Frank B. Miller, III. Pending approval from the FDIC and the Federal Reserve Bank of Richmond, the Bank plans to open in April 2006.



## MARK YOUR CALENDARS!

### 2006 CSBS Annual Meeting and Conference

May 17-19, 2006 • Norfolk Marriott Hotel • Norfolk, Virginia



## VERIFICATION SERVICES 'RENT' BANK DEPOSITS

By Kenneth R. Harney

Call it funny money for the housing boom: Now you don't need actual cash in the bank to buy a house. All you need is somebody who says you have money in the bank.

Need a hundred grand on deposit to convince a lender that you deserve a million-dollar mortgage? You've got it . . . even though you haven't really got it, because you "rented" it from a company in Nevada for an upfront fee of 5 percent -- \$5,000.

Sound bizarre? Welcome to the world of "asset rentals," which has caught the interest of bank and mortgage industry fraud experts.

It works like this: Your loan officer discovers that you lack the financial wherewithal needed to qualify for the mortgage you want. Rather than lose your business, the loan officer could turn to a service that offers "asset rentals." For a flat fee of 5 percent of the amount you need, the service will verify to anyone who asks that the \$100,000, \$500,000 or \$1 million in bank deposits you have claimed on your loan application documents are yours indeed.

In fact, the deposits are not yours, but nobody will be able to detect this because you will have a bank account with your name on it, at least temporarily. If you need to "rent" the account for longer than a month, it will cost you 0.75 percent of the asset amount, payable in advance each succeeding month.

Here's how one mortgage fraud investigator, posing as a mortgage broker, was pitched the asset rental concept in mid-August.

"Dear [Name], It was nice speaking with you today. Hopefully this e-mail will provide solutions to you like so many other mortgage brokers and financial advisors over the years. The Asset Rental program is a terrific tool which enables you to 'save' clients you

would otherwise lose due to their inability to show sufficient assets." The same e-mail pitched still another "helpful" tool -- verifications of employment.

Say a borrower can't show proof of employment or document an income source. That's where the asset rental service's verification program comes in. Essentially you indicate on a faxed form what annual or monthly income you or a home-buyer client need to qualify for a mortgage, and the asset rental company will verify to anyone who asks that you have been paid those amounts.

The cost: 1 percent of the claimed annual income. "For example," says the pitch, "\$100,000 of annual income -- cost of \$1,000. Minimum is \$50,000." The e-mail came with attachments that directed payments for asset rentals and employment verifications to an account number at Wachovia Bank in Roanoke.

This and other e-mail pitches, copies of which were provided by mortgage industry recipients, carried the sender name of Loren Gastwirth, identified on the e-mail as vice president-marketing for Morgan Sheridan Inc. of Mesquite, Nev. The asset rental attachment carried the name Independent Global Financial Services Ltd., with an address in Las Vegas.

The verification of employment form carried instructions to fax the desired verification information to a Zexxis Co., with the same Mesquite, Nev., address that is on Loren Gastwirth's Morgan Sheridan card. When I called the number listed for Gastwirth, I received no reply, but instead heard back from a person identifying himself as Allen Paule. Paule is listed in corporate filings with the Nevada secretary of state as the registered agent for Morgan Sheridan, Independent Global Financial Services and Zexxis Co.

Paule said the asset rental and employment pitches, including downloadable attachments and forms carried on Morgan Sheridan's Web site, were not connected to his firms. He said, "Somebody hijacked our Web site." He confirmed that a Loren Gastwirth works for Morgan Sheridan. And he also confirmed that Independent Global Financial Services, Morgan Sheridan and Zexxis Co. have overlapping ownership and management.

According to Nevada corporate records, a Paul Gastwirth is listed as president and director of Morgan Sheridan. The Web site of Vault Financial Services Inc. of Las Vegas lists Paul Gastwirth as chief executive of that firm, and president of Independent Global Financial Services, "a company specializing in asset rentals and enhanced credit facilities for individuals and companies worldwide."

Paule had no explanation for how the e-mail pitches carrying the three firms' identities were distributed widely within the mortgage brokerage field. He also said, "The police won't help because they say nobody has been injured."

A spokesman for the Las Vegas field office of the FBI, David Schrom, confirmed that his office had "received information" from FBI headquarters on Morgan Sheridan and Independent Global Financial Services, but would neither confirm nor deny that the FBI is investigating the firms.

A spokeswoman for Wachovia Bank, Christy Phillips, said: "We are investigating the situation."

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## IMPORTANT TELEPHONE NUMBERS

- Banks and Savings Institutions (804) 371-9704
- Consumer Finance and Mortgage Companies (804) 371-9701
- Licensing (applications, name changes, annual reports) (804) 371-9690
- Consumer Complaints (804) 371-9705
- Corporate Information (SCC Clerk's Office) (804) 371-9733
- Bureau's FAX number (804) 371-9416
- TDD (804) 371-9206

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